

# INDUSTRY REPORT



by the  
**GENERAL AVIATION  
MANUFACTURERS  
ASSOCIATION**

before the  
**NEW YORK SOCIETY OF  
SECURITY ANALYSTS**

New York City  
January 14, 1982

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**Edward W. Stimpson**

*President, GAMA*

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**Russell W. Meyer, Jr.,** *Chairman, GAMA Board of Directors*

*Chairman and President, Cessna Aircraft Company*

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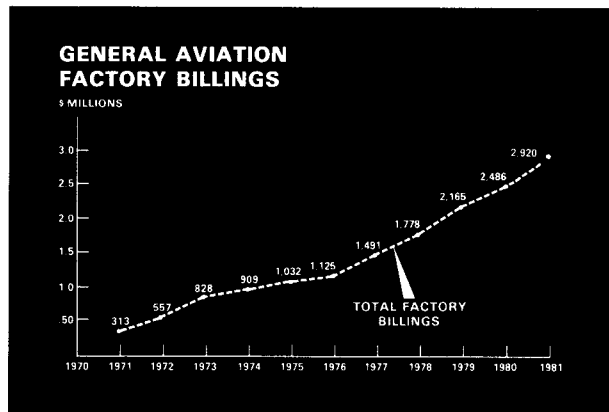
**General Aviation  
Manufacturers Association**

**REMARKS OF  
EDWARD W. STIMPSON, PRESIDENT  
General Aviation Manufacturers Association  
Before The  
New York Society of Security Analysts  
New York City  
January 14, 1982**

Appearing before the New York Society of Security Analysts has become an annual event for GAMA, and as always we appreciate the opportunity to be here. Considering the general economic climate, we have an encouraging report for you today.

In keeping with custom, I will first present the 1981 year-end results and the outlook for 1982. Then Russell W. Meyer, Chairman and President of Cessna Aircraft Company and Chairman of GAMA for 1982, will discuss some of the factors that are influencing our industry and our marketplace.

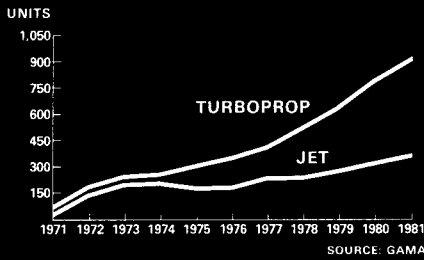
In 1981, the industry posted record aircraft billings of \$2.92 billion, up 17.5 percent from 1980. This was the ninth consecutive year of record billings. December closed the year with a record dollar month when billings reached \$336.8 million; it was the first time billings for a single month topped \$300 million. Shipments in December included a record 145 turbine-powered aircraft—104 turboprops and 41 jets.



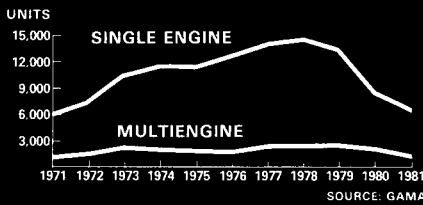
The industry's performance, despite the economic situation and a decline of 20.4 percent in total shipments, is reflected in the pace of jet and turboprop shipments. In 1981, we exceeded our forecasts in each of these categories. Together, turboprops and jets contributed 70 percent of total industry billings.

We are witnessing a significant swing in our marketplace toward the high-performance business

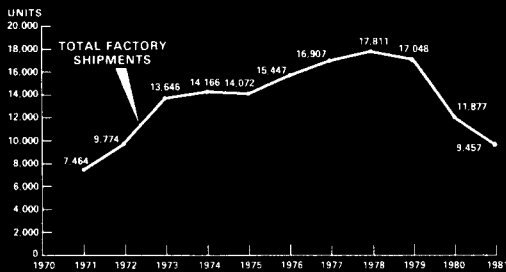
### TURBOPROP AND JET DELIVERIES



### SINGLE AND MULTIENGINE PISTON DELIVERIES



### GENERAL AVIATION UNIT SHIPMENTS



aircraft—a swing that helps offset the impact of the lower output of smaller airplanes which decreased total industry shipments from 11,877 in 1980 to 9,457 in 1981.

The industry's outlook for 1982 is based on several key factors:

1. Like many other industries, we expect 1982 to be a difficult year.

2. If the economy improves later in the year, as many expect, general aviation sales will also improve.

3. Manufacturers have adjusted production planning and schedules to meet prevailing economic conditions. Field inventories are generally low, and at acceptable levels.

4. Fares on major airlines are expected to rise substantially in 1982, and many schedules will continue to be reduced. The nation's industrial plant, at the same time, continues to disperse to smaller communities. These circumstances suggest continued growth in business aviation.

Taking a closer look at year-end results and forecasts for the new year . . .

**Jets:** The jet market boomed in 1981 with the industry delivering a record 389 aircraft, 19.3 percent more

### JET MARKET UNIT SHIPMENTS

1980	326
1981	389
1982	360
<b>FACTORY BILLINGS (est. in \$ millions)</b>	
1980	\$815
1981	\$1.10 Billion
1982	\$1.26 Billion

than 1980 shipments. This was the first year that jet sales dollars surpassed \$1 billion.

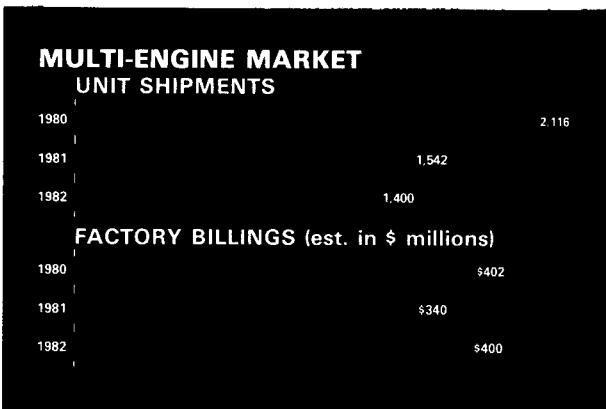
For 1982, GAMA forecasts nearly one business jet a day with expected deliveries of 360 aircraft worth \$1.26 billion.

**Turboprops:** The turboprop market also achieved a \$1 billion performance in 1981 with a record 918 aircraft shipped, a gain of 15.5 percent.

We anticipate 1982 turboprop billings of \$1.1 billion on a conservative forecast of 860 units.



**Multi-Engine Piston:** The industry delivered 1,542 of these aircraft last year, compared to 2,116 in 1980. The light twin market was especially soft.

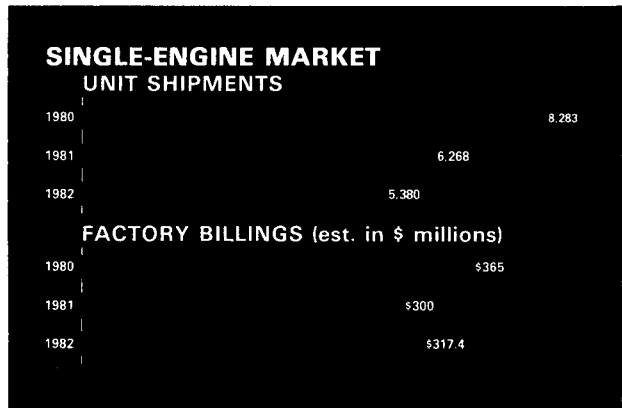


For 1982, the industry is forecasting shipments of 1,400 twins and dollar volume of \$400 million.

**Agricultural:** In 1981, shipments amounted to 340 units, down 4.8 percent. In 1982, we expect a further decline in this category to 200 aircraft and a dollar value of \$15.6 million.



**Single Engine:** Single engine deliveries last year totaled 6,268 units, down 24.3 percent. High-performance singles used for business transportation held market share. Light singles, purchased mostly by flight schools and as personal aircraft, were hardest hit.



For 1982, we are projecting deliveries of 5,380 single engine aircraft with a value of \$317.4 million.

The industry, I should add, is fighting back. When interest rates crippled single engine sales, our manufacturers developed their own creative factory financing packages offering rates far below market levels over extended periods.

At the industry level, GAMA initiated the nationwide CONTACT! learn-to-fly program to stimulate student starts and personal flying. This program features \$100,000 in flight training scholarships, supported by a very active media campaign to promote the career opportunities and other values of a pilot's license.

Happily, FAA statistics for 1981 reveal a 15 percent gain in student starts over 1980, a very encouraging signal.

**Export Market:** Historically, when the domestic market was down, the international market remained strong. This was not the case in 1981. The stronger dollar and recessionary economies accounted for a decrease of 36 percent in unit exports. Export shipments totaled 2,269 units valued at \$749.9 million.

**1982  
EXPORT FORECAST**

**DOLLARS — \$738 MILLION**  
**UNITS — 1,886**

Against the industry's total performance, exports accounted for 25.7 percent of dollar billings and 24 percent of unit deliveries.

For 1982, GAMA is forecasting shipments of 1,886 export aircraft and billings of \$738 million.

**TOTAL FORECAST**

- 8,200 UNITS
- \$3.208 BILLION IN FACTORY BILLINGS

**Industry Outlook:** In 1981, the industry had hoped to reach \$3 billion. We missed by a whisker at \$2.92 billion. But we will make it this year. Billings should reach \$3.2 billion on the delivery of 8,200 aircraft. Obviously, we expect the business aviation market to remain healthy.

In the longer term, the industry's outlook is optimistic. Over the next 10 years, the general aviation industry is expected to grow by 50 percent to more than 330,000 aircraft, and flying hours will increase by 80 percent. We estimate that dollar billings will continue to advance at a compound annual rate of approximately 20 percent.

Now I would like to call on Russ Meyer to discuss some of the challenges of the marketplace.

Thank you for your kind attention.

**1982  
GAMA SHIPMENT FORECAST**

<u>TYPE</u>	<u>UNITS</u>	<u>\$(M)</u>
TJ .....	360 .....	1,260
TP .....	860 .....	1,078
ME .....	1,400 .....	400
AG .....	200 .....	15.6
SE .....	<u>5,380</u> .....	<u>317.4</u>
<b>TOTAL .....</b>	<b>8,200 .....</b>	<b>\$3.208 Billion</b>

**REMARKS OF  
RUSSELL W. MEYER, GAMA CHAIRMAN  
Chairman and President  
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As Ed indicated, our objectives at these presentations each year are to summarize briefly where we've been during the previous year, and then to project the performance of the general aviation industry during the next 12 months. There have been times when our projections proved to be extremely accurate, and years—such as 1980 and 81—when, for a variety of reasons, we did not succeed in reaching the total number of projected unit deliveries.

Making forecasts in any industry can sometimes be a risky business, especially when the results are dependent upon a number of outside factors which by themselves are often difficult to anticipate. Without trying to justify the over-projections in 1980 and 81, I think that in fairness to GAMA, very few people expected either the size or erratic behavior of interest rates; very few economists anticipated the extent of the problems in so many key U.S. industries; and few if any accurately forecast the wide variety of economic problems outside this country.

Frankly, I think in view of these and other negative factors which have affected certain segments of our business, general aviation has done reasonably well.

While the light single engine market has been very soft for almost two years, and while total piston deliveries have been lower than expected, we have continued to achieve increases in total sales dollars. 1982 should be no exception. Turbine sales represented about 13% of the units and 70% of dollar sales in 1981. Although turbine deliveries will be about 7% less in 82, their impact will be even greater—turbine sales in 82 will represent almost 15% of total units and about 75% of the \$3.2 billion sales dollars.

Rather than present a segment by market segment analysis, both Ed and I felt that this presentation would be more useful to you if we gave you a rather brief status report and then opened the meeting to questions. I doubt if we could cover all your questions, even in a lengthy presentation—and by keeping these comments brief—we will have time to address all your questions, or whatever issues you select.

Since Ed has covered the forecast for 1982, I'd like to make a few additional comments on the market as it exists today, the air traffic control situation, the international environment and the major priorities for general aviation this year, priorities which will have a significant impact on the growth of our market during the remainder of this decade.

Without dwelling too long on the market, several things are apparent. For example, there has been continued strength in what we call the professionally operated, or corporate aircraft market. The need is still very strong, and you know the reasons as well as we do: decentralization of industry; deregulation of the airlines, which has practically eliminated adequate airline service at all but two dozen major population centers; improvement in general aviation aircraft, engines, avionics and systems; expansion of general aviation service at a growing number of airports; and the increasing acceptance of the business aircraft as a necessary tool in conducting day-to-day business.

All these factors have caused many companies that have traditionally used business aircraft to broaden their fleets. Companies that may have had one or two aircraft just five years ago may have four or five aircraft, or even more, today, to satisfy their transportation requirements.

In addition, we see a growing number of what we call "concept" customers—companies that have never had an aircraft before—purchasing one or more aircraft and creating their own air transportation departments. This is a trend we expect to continue in 1982 because no mode of transportation offers the speed, flexibility, reliability, safety and comfort of general aviation aircraft.

Another plus factor—at least currently—is that interest rates have come down somewhat in the past few months. Without in any way trying to second-guess the money market, most of our banking friends expect interest rates to come down even more during the first half of the year. This could help the light single engine part of our market more than any other segment. Interest rates, the economy, the success of GAMA's CONTACT! program, the degree of confidence displayed by the small businessman, will all have an effect, pro or con, on light single sales. As you can see, we are not forecasting a very robust market in this area in 1982.

The same conservatism is apparent in our projected numbers for high performance singles, ag aircraft and piston twins. And for the first time in a few years, we're looking for a modest decline in the turbine market. To

really rekindle general aviation activity to cause the kind of growth which is represented by potential customer demand, we need a great deal more stability in interest rates and a stronger overall economy. The sooner that happens, the sooner our market will once again see solid growth in both units and dollars.

With respect to the air traffic control situation, general aviation has continued to operate fairly smoothly within the constraints imposed by the strike. The General Aviation Reservation System—GAR—which was implemented in October, has worked quite well with certain modifications. As you know, business jet aircraft have been excluded from GAR, and additional slots were recently allocated for air taxi operators. We've been assured that additional measures will be implemented—as practicable—to further expand general aviation activity. For example, we hope that there will soon be an envelope at 24 to 28,000 feet assigned for propjet operations so that these business aircraft will also be exempt from GAR requirements.

In total, general aviation is flying at about the same reduced level as the airlines. You have to recognize that we're a great deal more flexible than the airlines in terms of takeoff and arrival times and the airports we use, so we can adjust our schedules to fit most effectively in the system. There are occasional delays in the "golden triangle" of New York, Boston, and Chicago, but in other areas of the country there is little or no current problem. In our opinion, one of the major keys to rebuilding the system is for the federal government to significantly increase the rate of allocation of trust fund dollars that have accumulated over the last ten years from taxes on general aviation fuel and airline tickets. New, modern equipment is essential to both expansion and safety of the system. The trust fund was created for a specific purpose and the government has not followed through with this legislative mandate.

Briefly, let's review the international market. We made some rather bullish projections two or three years ago that the international market might represent 40 or 50 percent of our total business by the middle '80s. But looking ahead of 1982, export sales could be as low as 20 percent of our total. Some explanations of why the international market is so poor include: (1) the U.S. dollar, in its relationship with many foreign currencies, strengthened very rapidly last spring and summer, especially in Europe. This was, in effect, an immediate 30 or 40 percent increase in the price of our products to a foreign purchaser; (2) aviation gasoline is either very expensive, or in a few countries not

widely available; (3) many countries are witnessing the same kinds of economic problems that we have in the U.S.; and (4) we continue to have artificially imposed barriers, such as the Brazilian embargo. There are other nontariff problems in countries like Mexico, where the government has drastically reduced the number of import licenses. All of these factors have combined to reduce the export market. So in addition to worldwide economic improvement, it is very important that we have a free worldwide market in our industry, just as soon as possible, so we can fully develop the great potential of this market.

We're somewhat encouraged that the government appears to be adopting a more aggressive and enterprising stance in foreign trade relations. Despite some very low export numbers at the end of 1981, we view the import restrictions in Mexico as a temporary situation. Embargoes in other countries will, we hope, be modified by earnest U.S. government negotiations.

In conclusion, I'd like to address a few of our highest priorities. First is the passage of airport/airways legislation. It was a terrible mistake for Congress to fail to pass an extension of this essential legislation in 1980. We must have a bill promptly, a bill which establishes reasonable taxing levels and which requires the planned expenditure of these funds to rapidly expand and improve every part of the U.S. air transportation system.

Other priorities include the continuation of our safety programs, which have been such a vital part of the FAA safety seminars. Also a priority is the expansion of CONTACT!, our GAMA student pilot program, similar to the Takeoff program, which was so successful in '77/'79. We expect CONTACT! to be equally effective in increasing the number of new student starts. Finally, we appear at long last to have focused the attention of the federal government on the inequities of the international trade environment for general aviation aircraft. We will continue to work very hard to achieve a free and equitable worldwide market.

To conclude the formal part of our presentation today, I'd like to remind you that general aviation, in our opinion, has made tremendous progress during two very difficult years when the worldwide economy has experienced a variety of severe problems. We have achieved this progress because of continued strong customer demand for business aircraft.

We believe we can continue to make progress, in spite of reduced unit deliveries, during another tough

year in 1982. Most important, all our member companies should remain in a strong position to take advantage of the widespread future growth of general aviation, which will be the inevitable result of an improving economy.



## U.S. GENERAL AVIATION PRODUCTION

Year	UNITS			DOLLARS (Millions)		
	Total	Exports	Percent	Total	Exports	Percent
1949	3,405	488	14.3%	\$ 17.1	\$ 2.2	12.4%
1950	3,386	415	12.3%	19.1	2.3	12.0%
1951	2,302	433	18.8%	16.8	3.1	18.5%
1952	3,058	354	11.6%	26.8	3.0	11.2%
1953	3,788	579	15.3%	34.4	4.6	13.4%
1954	3,071	496	16.2%	43.4	7.1	16.4%
1955	4,434	640	14.4%	68.2	7.5	11.0%
1956	6,738	965	14.3%	103.7	12.5	12.1%
1957	6,118	1,131	18.5%	99.6	17.4	17.5%
1958	6,414	865	13.5%	101.9	12.0	11.8%
1959	7,689	962	12.5%	129.8	14.6	11.2%
1960	7,588	1,481	19.5%	151.2	27.3	18.1%
1961	6,778	1,583	23.4%	124.3	29.8	24.0%
1962	6,697	1,458	21.8%	136.8	30.9	22.6%
1963	7,569	1,579	20.9%	153.4	35.1	22.9%
1964	9,336	1,775	19.0%	198.8	44.1	22.2%
1965	11,852	2,325	19.6%	318.2	61.2	19.2%
1966	15,768	2,903	18.4%	444.9	75.4	16.9%
1967	13,577	3,035	22.4%	359.6	76.5	21.3%
1968	13,698	2,803	20.5%	425.6	91.5	21.5%
1969	12,591	2,623	20.8%	638.8	107.1	16.8%
1970	7,402	2,170	29.3%	364.1	98.9	27.2%
1971	7,464	1,854	24.8%	313.1	95.6	30.5%
1972	9,774	2,254	23.1%	557.1	137.9	24.7%
1973	13,646	3,530	25.9%	838.2	230.2	27.8%
1974	14,167	4,248	30.0%	909.4	287.5	31.6%
1975	14,057	3,512	25.0%	1,032.6	308.1	30.0%
1976	15,447	3,539	22.9%	1,228.8	331.3	27.0%
1977	16,907	3,611	21.4%	1,491.0	354.5	23.8%
1978	17,811	3,612	20.3%	1,777.8	486.4	27.4%
1979	17,048	3,995	23.4%	2,164.9	600.9	27.7%
1980	11,877	3,555	30.0%	2,486.2	756.4	29.9%
1981	9,457	2,269	24.0%	2,919.9	748.9	25.7%



**EDWARD W. STIMPSON**

Edward W. Stimpson is president and a board member of the General Aviation Manufacturers Association (GAMA), headquartered in Washington, D.C. He joined the association when it was formed on January 1, 1970, and was elected president in November of that year.

Mr. Stimpson served with the Federal Aviation Administration in Washington from December of 1962 until he joined GAMA. He was named FAA's assistant administrator for congressional liaison in July, 1965.

In 1977, he was named "General Aviation Man of the Year." He also received the U.S. Department of Transportation Meritorious Achievement Award, FAA's Meritorious Service Award, and its Decoration for Exceptional Service in recognition of his performance.

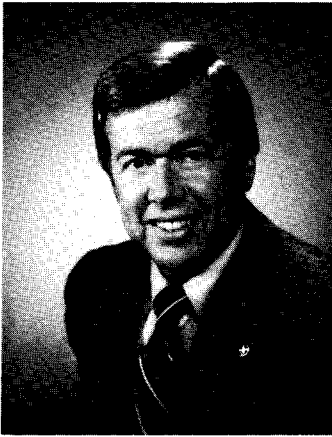
Before his federal government service, Mr. Stimpson was acting director of the Pacific Science Center Foundation at Seattle, Washington, where he developed and administered a program to convert the U.S. Science Pavilion at the Seattle World's Fair into a permanent Science Center.

Mr. Stimpson was born on June 18, 1934 in Bellingham, Washington, and was graduated Cum Laude from Harvard College in 1956. He is a private pilot.



**GENERAL AVIATION  
MANUFACTURERS ASSOCIATION**

**GAMA MEMBER COMPANIES**



**RUSSELL W. MEYER, JR.**

Russell W. Meyer, Jr., chairman of the General Aviation Manufacturers Association, was elected chairman of the board and chief executive officer of Cessna Aircraft Company in June, 1975.

Prior to his election as chairman, Meyer served as executive vice-president of Cessna, a post he assumed in June, 1974.

From 1966-1974, Meyer, a native of Davenport, Iowa, was president and chief executive officer of Grumman American Aviation Corporation, Cleveland, Ohio.

From 1961-1966, he was an attorney with the firm of Arter & Hadden in Cleveland.

Meyer was graduated from Yale University with a B.A. degree in 1954, and earned his doctor of law degree at Harvard Law School in 1961.

He served with the U.S. Air Force as a pilot from 1955-1958, and was also a pilot with the U.S. Marine Corps Reserve from 1958-1961.

A commercial pilot with instrument rating, he has logged more than 5,000 flight hours.

He is a member of the Board of Directors of the General Aviation Manufacturers Association.

Meyer is married and has five children.

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